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Periodical Publishers Association

Brief of the Periodical Publishers' Association...

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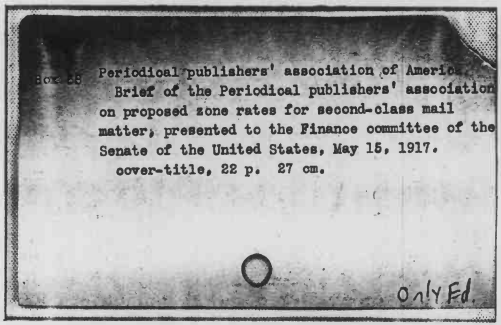
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BRIEF

of the

Periodical Publishers' Association

on

PROPOSED ZONE RATES FOR SECOND-CLASS MAIL MATTER

Presented to

The Finance Committee of the Senate
of the United States

May 15, 1917

JUN 12 1917

TO THE FINANCE COMMITTEE OF THE UNITED STATES SENATE

BRIEF

of the

PERIODICAL PUBLISHERS' ASSOCIATION

THE PUBLISHERS of periodicals have come to the Finance Committee of the Senate, asking, not for voidance or diminution of any proposed taxes, but for the right to pay taxes.

All that they have from which to pay taxes is their earnings. Any part whatever of these are at the disposal of the Congress. Scores of periodical publishers have voluntarily offered to give their entire net earnings through the war emergency, without question, willingly and proudly, if the Congress sees fit to ask for so much. They are not quibbling over a 16 per cent tax on excess profits, but go so very much farther in their willingness to make sacrifices than the utmost that has at any time been proposed, as to offer, with no exemption whatever of normal profits, to pay any proportion of their income that the Congress asks for.

But that their industry should be suddenly strangled, through ruthless and inequitable interference with its necessary processes, is simply depriving them of their right to work, to earn, and to turn over their earnings to the use of the Nation in its time of need.

This then is the position of the periodical publishers in opposing the utterly antiquated, impracticable, destructive, and thereby futile, proposal to increase the present second-

class postal rate of one cent per pound by the inauguration of a zone system exacting from 2 to 6 cents per pound.

CAN THE PERIODICALS PAY SUCH RATES?

Less than six per cent of newspaper circulation goes through the mails (testimony of Don Seitz, publisher of the New York *World*, Report of the Overstreet Commission), and this most largely in the first zone. But magazines, such as *The Outlook, Review of Reviews, Youth's Companion, Scientific American*, send practically all of their subscription copies, which constitute 85 per cent or more of their total circulation, through the mails. Furthermore, these nationally circulated periodicals would pay the highest zone rates to almost as great an extent as the lowest.

Careful analysis of the distribution of their circulation geographically shows that in the case of nationally circulated periodicals the net direct result of the zone schedule now before the Congress is an increase from the one cent per pound rate, on which they have built up their business for the past generation, to 4.20 cents per pound, or 320 per cent.

Under the present second-class rate of one cent, provided in 1885 entirely on the initiative of Congress and without a word of suggestion from publishers, more than 95 per cent of the existing periodical circulation has come into being.

It is the *freight rate* of the periodicals. It was not given to them, but to the people of the United States; until after the legislation of 1885, the subscriber, not the publisher, had always paid the postage on periodicals. For the further convenience of the people, the publishers voluntarily assumed, in 1885, the cost of delivery. For 93 years, since 1792, more than a score of changes in Post Office rates on newspapers and periodicals have been consistently reductions, not increases, and publishers felt that they could safely take on the expense of delivery of their periodicals as part of the costs of their business.

The periodicals have, then, built up their business on the basis of this hitherto stable freight rate of one cent per pound.

But the freight rates of other shippers change, it may be objected.

It is true. The Interstate Commerce Commission is now hearing protests from hundreds of shippers against an increase of *15%* in their freight rates, asked by the railroads in their dire emergency created by the rising costs of an utterly abnormal period.

What is the proposal as to publishers, embodied in the proposed zone legislation?

A sudden increase in their freight rate, not of 15%, *but of 320%*.

But the enormity of the proposal is not fully measured even by the fact that it provides for an increase on periodicals *21 times greater* than the sternly contested increase in general freight rates.

For, the manufacturer of shoes, or steel, or automobiles can quickly pass on the increase in his costs to the comparatively few jobbers, retailers, large purchasers or agents with whom he deals in wholesale transactions. On the other hand, the publisher, dealing with 50,000 or 1,000,000 individual subscribers in transactions of minute dimensions that will bear but little expense of negotiation, can only slowly, expensively and wastefully change their habits formed through a generation of stable practice. Furthermore, the publisher is in the impossible position as regards the exactions of the present zone rate bill of having already sold his product for from 6 months to 3 years in advance, to customers from whom he could not collect one cent to make up for the exorbitant increases prescribed in the present bill and scheduled to go into effect at once.

Such a blow would fall on publishers after a sudden increase in paper costs,—their raw material,—amounting to 75%, which alone has brought many of them, hitherto prosperous, to a state of simply trying to hang on, with no net earnings at all, until paper prices shall tend toward their pre-war levels.

The Chairman of your Committee has in his hands sworn statements from officers of a large number of periodicals of their present profits and newly arrived increased paper costs, together with approximate figures of what the Revenue Bill now before Congress would demand, which show any business man that there are no present earning possibilities in the periodicals to pay the proposed rates.

We ask to offer in this brief one out of the many instances as a concrete example,—a prosperous periodical, published at $3 a year, the *Review of Reviews*, not by any means so badly off, in the face of the proposed rate increases, as many others.

The figures of the operations of this typical periodical during the four months ending March 31st last, an average season of the year for advertising volume, are as follows, this particular period being selected because it is the only one that shows the effect of the unheard-of new paper costs on even the high priced periodicals of substantial circulations, and even in a year of unprecedented advertising volume:

Sales of advertising	$ 99,800.65
Circulation sales	99,696.74
Total sales	$199,497.39
Total expenses	182,075.38
Net profits	$ 17,422.01
Pound rates paid during this period	$ 8,676.04
Pound rates demanded by the zone system bill	$ 36,339.37

Please consider for a moment the other dealings of this periodical with the Post Office during this period. Its books show that in the four months the magazine purchased two cent stamps,—soon to be three cents—to the amount of $20,202.06, one cent stamps to the amount of $24,255.49,

and paid parcel post charges of $3,196.20,—total direct payments to the Post Office of $56,329.79.

Please go a little further: During these four months the *Review of Reviews* received 258,272 sealed letters with postage stamps affixed, in addition to post cards and parcel post deliveries.

So far we have payments to the Post Office of $61,495.23 in transacting the direct business of the magazine.

But, in addition, during this period advertisers spent, as shown above, $99,800.85 for advertising in the *Review of Reviews* to the people of the entire country, an investment which, in the vast majority of instances, can only be returned by operations involving the purchase of two cent stamps, adding further to the profitable business of the Post Office.

We ask you, is it good business for the Government, can it possibly help the nation's revenues, to destroy these operations?

Can it possibly avoid damaging the revenues of the nation to strangle such a periodical circulation?

The stamp purchases shown above would disappear; the profits would, of course, disappear, as also the corporation income tax receipt; while the personal income tax receipts would suffer by just so much.

We offer this as a concrete proof of our opening statement that we are before the Finance Committee of the Senate struggling, not to avoid paying taxes, but to be allowed to pay them.

It is obvious that the utmost levy that can be made on this periodical is the entire amount it has earned, such a levy being, of course, far greater than any tax exaction in any of the warring countries.

Strangle the life of such an industry by choking its vital processes, and there can obviously be no fruit to collect. We ask you to let the fruit grow under our husbandry, and take what part of the harvest you deem right and wise.

That the exhibition of this particular periodical is no exceptional case, is clearly demonstrated by the report

from Price, Waterhouse & Company quoted below, in which the figures for eighty-six periodicals of general circulation are given to show that, although confronted with the problem of absorbing new paper costs aggregating more than their net profits for 1916, these periodicals are now asked by the proposed zone rate measure to pay increased postage *amounting to about four times their aggregate net profits for the last calendar year.*

Number of periodical as printed below 86

Aggregate average circulation per issue in 1916 21,264,404

Total amount of postage paid in 1916 at one cent a pound.....$1,243,465.99

Amount of postage per year demanded by the proposed zone rate measure.....$4,959,376.05

Total addition to pound rate charge per year on new proposed basis.....$3,715,910.06

Total net profits of all publications for year 1916 .....$1,197,403.73

Total estimated increase of cost of paper to be used in 1917 over cost in 1916..$3,034,566.83

These periodicals have not been selected because they were horrible examples. They are representative of the rank and file of American periodicals.

This list of periodicals does not include those published by the concern which is the one conspicuous example of exceptional prosperity in this industry.

But does the fact of the existence of a single concern of exceptional prosperity, which has been so frequently referred to in Congress and elsewhere in discussions of the second-class mail rate, justify strangling nearly all other periodicals?

And even in this wholly exceptional case, the exactions of the proposed zone rate measure plus the increased paper costs now paid, would more than wipe out its total profits for the past calendar year.

List of publications furnishing figures for consolidated accounts reported by Price, Waterhouse & Co., and printed above:

The Gentlewoman
McCall's Magazine
Woman's Home Companion
American Magazine
Farm and Fireside
Every Week
Pictorial Review
McClure's
Collier's Weekly
Farm and Home
The Modern Priscilla
Metropolitan
Leslie's Weekly
Judge
Film Fun
People's Home Journal
Mothers' Magazine
Christian Herald
Motion Picture Magazine
Ladies' World
National Sportsman
Motion Picture Classic
Field and Stream
Smart Set
Popular Science Monthly
Photo Play
Puck
Yachting
Outing
All Outdoors
Theatre Magazine
Municipal Journal
World's Work
The New Country Life
Garden Magazine
Short Stories
Travel
American Penman
Current Opinion
Harper's Magazine
American Art News
Orange Judd Weeklies (5)
Weekly, Monthly and Quarterly Religious Publications (35)
Vogue
Vanity Fair
House and Garden
Outer's Book
Spare Moments

Of the many commissions provided by Congress to study the problems of second-class mail rates, the last and a very distinguished one, was composed of Charles E. Hughes, then Justice of the Supreme Court of the United States, A. Lawrence Lowell, President of Harvard University, and Harry A. Wheeler, President of the Chamber of Commerce of the City of Chicago.

Dealing with the question of a zone system, this Commission spoke as follows (House Document 559, page 140):

> "The policy of zone rates was pursued in the earlier history of our Post Office and has been given up in favor of a uniform rate in view of the larger interests of the nation as a whole. It would seem to the Commission to be entirely impracticable to attempt to establish a system of zone rates for second-class matter."

This was the latest commission. The next latest was the Penrose-Overstreet Joint Commission of Congress on Second Class Matter, which held voluminous hearings in 1906. On page 28 of the report of this Commission, the zone rate system is considered as follows:

> "Neither, for reasons almost equally obvious, is a solution to be found in a zone system of charges . . . . which would artifically restrict the diffusion of the periodical agencies of intelligence. . . . Would it not be politically and socially unwise to create arbitrary barriers against the processes of national unification and solidarity?
>
> "Apart from the social and political considerations, which to our minds are conclusive, there are serious administrative difficulties in the way of a zone system of charges.

Thus we have the two distinguished Commissions on second class mail of recent years, the only two, both deciding flatly against the zone system.

With all the recent authorities to whom the Congress would look and the most eminent that have ever passed on the subject, solidly arrayed against this radical innovation, why should a zone system be now considered at all?

It is plain to students of the Post Office operations that even if so unwise a measure should be enacted into law, a change back to a flat rate would soon be made.

For, those fortunate publications which would survive at all under so ruthless a measure could only do so by adding the increased cost of delivering subscriptions in California, Oregon and Texas, and other sections remote from the publishing centers, to the price of subscriptions in those States; and few will maintain that the citizens of the southwest and those of the Pacific Coast would submit tamely to being charged 25% to 50% more for the same periodical than was paid by other citizens living near to the publishing centers.

Please observe that the zone system discriminates not only between one citizen and another; it is grossly discriminatory also in that every publisher happening to be located in one part of the United States would be forced to pay different rates, or charge different prices, from publishers located in another part of the country.

Your Committee is, of course, quite aware of the practical reason why the present proposal for taxing second class matter is in the form of a zone system; you are aware that it is considered more expedient, and by some who have not studied the question, more just, to increase the rates on magazines and other periodicals very much more than on newspapers,—which is automatically accomplished by any such zone arrangement. In fact, it is safe to say that the fraction of newspaper profits that would be required to pay the increased postal charges of the present Bill is to the fraction of periodical profits required for the same purpose as less than 1 to 20.

But hear what the Hughes Commission has to say after many months of study of the absolute and relative costs to the Post Office of the several sub-classes of second-class mail matter (House Document 559, page 144):

> "The Commission is further of the opinion that it would be a mistake to discriminate between newspapers and magazines or other periodicals. So far as educational value is concerned no satisfactory distinction can be made. And we have no basis for the conclusion that the comparative cost of transporting and handling would justify a difference in rate."

And again (House Document 559, page 145):

> "These figures are the only basis we have for judgment as to the comparative cost of transporting and handling the different kinds of publications above mentioned; and it is evident that they furnish no sufficient foundation for a discrimination in rates between newspapers and periodicals."

This decision was arrived at by the distinguished Commission, not on the basis of any merely general view of the situation, but because it was found that the admitted longer haul of the magazines was only one, and not the larger factor, in comparing the Post Office cost of a pound of periodicals with the cost of delivering a pound of newspapers. The other and larger factor than the transportation item, was found to be the *handling* cost, and in this item the very much greater average number of pieces of newspaper mail to the pound than pieces of magazines to the pound, and the resulting greater cost of handling a pound of newspapers than a pound of magazines, more than compensated for the longer haul cost of the latter.

You find, then, the zone system rejected unequivocally and flatly by the two important Commissions provided by the Congress in the present century to investigate second-class mail rates, and the only practical argument for any zone system,—that national periodicals are hauled farther and

therefore cost the Post Office more,—based on utter error.

We ask you to refuse consideration to any proposal of a zone system of rates for second-class mail because such a system is thoroughly discredited by the best authorities, because it is impracticable in operation, because it is inequitable both as to publishers and as to the subscribers to their periodicals, and because it is subversive of the national spirit and interest.

THE ZONE RATE BILL BEFORE CONGRESS WOULD NOT BRING THE REVENUE ANTICIPATED

The final net effect of the present measure would almost certainly be to reduce the nation's revenues instead of increasing them by nineteen million dollars.

In 1916 second-class mail paid, in round figures, $11,000,000 at the one cent a pound rate.

Assume for a moment that so enormous an increase in the freight rate of newspapers and periodicals would not be prohibitory for a majority of publishers and would not contract or destroy circulations.

We find (House Document 559, page 144) that 53 per cent of all second-class mail consists of newspapers, the balance of 47 per cent being divided among: scientific periodicals, educational periodicals, religious periodicals, trade-journal periodicals, agricultural periodicals, magazines, and miscellaneous periodicals.

Of the circulations of the largest class, newspapers, only a small fraction would pay the higher zone rates, certainly not so many pounds as would, among the magazines and other periodicals be diverted from the mails. This leaves 47 per cent of 1,100,000,000 pounds to pay the average increase of rate. This average increase of rate would be for all these subclasses outside of newspapers not so large as for the magazines (3.20 cents). It would be approximately 2.90 cents, which applied to the 47 per cent of 1,100,000,000 pounds would give a theoretical increased revenue of approximately $15,000,000, less the receipts from the class exempted by the present proposal.

But can it be reasonably assumed for a moment that the periodicals, already struggling for their lives after a sudden increase of 75 per cent in the cost of paper, their raw material, could pay a freight rate suddenly increased by about 300 per cent, which they have no means of passing on to the public, without at least radical contraction of their circulations?

It is certain that they could not, and it is also true that in the rapid contraction of their circulations the revenues of the Post Office would shrink by far more than the amount of lost pound rate payments. In the specific example cited above, the *Review of Reviews,* it was seen that even the direct stamp and parcel post payments and incoming first-class mail amounted to more than seven times the total pound rate payments.

But putting a prohibitory rate on the delivery process of such a periodical would do still more: it would stop the stimulation of the first-class mail from the $300,000 of annual advertising in the magazine cited,—advertising that has to give a profit to the advertiser, and can only do so through operations requiring the purchase of first-class postage.

But we have not finished yet with the deadly effect on its contributions to the nation's revenues of the proposed interference with the business processes of this particular periodical. For, after all, this magazine is making a profit, in spite of an $80,000 yearly increase in the cost of white paper, and it will pay a corporation income tax on this profit, and the profits, as distributed to its stockholders, will be mulcted by the personal income tax and surtaxes.

Furthermore, the publisher is, with hundreds of his publishing brethren, willing and anxious to give up for the war emergency any part of this corporate income that Congress may ask for, only begging to be allowed to produce the income and do his bit.

Can it possibly be wise to tax the mechanism of such a business so heavily that the machine must stop, with no product issuing from it for Congress to levy upon?

Has any member of your Committee the slightest confidence, after examining these figures, that the proposed increases in the second-class mail rates will add one dollar to the country's revenues, or that these will not be actually diminished?

PROFITS TO THE POST OFFICE FROM MAGAZINE ADVERTISING

In the preceding section of this brief we have claimed that in the destruction of the periodical circulations wrought by the zone rate measure, the Post Office revenues would suffer from the loss of first-class postage originated by periodical advertising. Let us see more specifically how this first-class postage is created by advertising.

About $75,000,000 is invested yearly in magazine advertising. Nearly $400,000,000 is invested in advertising in newspapers and periodicals other than magazines. It is manifestly impossible to obtain even approximate figures of the postage originated by this vast body of advertising, but a number of specific examples of actual advertisements with the actual stamp purchases resulting from them will clearly show the principle and give a valuable measure of its importance.

Here is the postage bill of one of the many great "mail order" magazine advertisers—a company which sells excellent clothing to women who cannot come to the great cities and their department stores. The president of the company writes:

> "As we are a mail order concern, our business is derived entirely, either directly or indirectly, from our magazine advertising. During the year we paid the Post Office Department for carrying our first-, third-, and fourth-class mail matter the sum of $433,242.00."

What an advertisement in one issue of one magazine did for another women's "wearing apparel" house is recorded on their books as follows:

The postage required to answer the 15,000 replies from the one-column "insertion" in the magazine, also to send the merchandise required by 2,000 of the inquirers, also to "follow up" other inquirers, etc., was $5,460.

The Government charge for carrying this advertisement through the second-class mails was $38.83.

That $5,460, by the way, did not include the several hundred dollars spent on postage by the inquirers themselves.

The president of a concern which publishes encyclopedias, natural histories, classics, etc., investigated the correspondence created by a recent page of his advertising, inserted in a single magazine.

The stamps and money orders bought by the inquirers and by the publishing company, as the result of the 4,000 answers to this one advertisement, amounted to $884.

The publishers paid the Post Office to carry that page, at second-class rates, $12. A good business man would be willing to lose several times $12 in order to do $884 worth of business as profitable to himself as first-class mail is to the Government.

Scores of apparently small advertisers are found in any issue of any popular magazine. They are just as good customers of the Post Office, in proportion, as the big concerns using columns or pages.

A modest one-inch magazine advertisement is printed by a company which reports that its yearly postage account from that cause is $5,132. Adding the approximate postage on the 1,500 letters a month sent to the company, the yearly total of postage created by this inconspicuous concern through the magazines is found to be $5,492.

Only half-inch magazine space is used each month by a certain electric manufacturing company in the Middle West. But its postage records show stamp purchases for a single month resulting from that half-inch "ad." of $590.

Two quarter-column announcements of a dress fabric appealing to women, in a single magazine, brought 7000 replies, involving postage stamps worth $230.00

Pretty good business-getters for the Department, these "ads," which cost the publishers to mail at second-class rates..... 19.40

Even better in proportion was a 1-5 column appeal to mothers in one issue of the same magazine. It produced postage to the amount of $240.00

To carry the little advertisement at second-class rates the Government charged 7.76

A single-column magazine "ad" of a Chicago clothing firm, with a number of retail stores over the country, brought 4000 inquiries, which, with follow-up, etc., caused postage of $380.00

That column cost the publisher to mail, at second-class rates.. 38.67

The *Woman's Home Companion* sent a letter to the advertisers in a November issue, asking for an exact memorandum of the letter postage on the inquiries from their November advertising, and the answers to these inquiries. Seventy-five advertisers reported with definite figures an aggregate letter postage expenditure of $3385.90.

The *Woman's Home Companion* paid the Government just $583 for carrying that portion of the magazine on which these 75 advertisements were printed.

Any advertising man can point to hundreds of "mail order firms" like the above. These firms can trace directly to their magazine advertising, every year, purchases of millions of dollars' worth of the stamps that make big profits for the Post Office.

It is even more surprising to learn the enormous postage bills caused by an entirely different class of magazine advertisers—the "general publicity," or "national" advertisers, —who wish the reader to ask for their fine soaps or mattresses or silks or stationery at his local store. These firms do not *depend* on direct replies, yet they receive so many that thousands of dollars are spent for stamps per year in scores of cases—even per month in many.

A moderate priced shoe is sold through a number of retail stores in different cities. The manufacturers advertise in magazines for national "publicity," to bring buyers into those stores. Incidentally they mention their department to fill orders by mail. Thus an enormous correspondence has been built up, of which the *average annual increase alone*

during the last three years has involved 264,000 first-class letters—a minimum postage of $5,280. This is simply *one yearly addition* to the company's already large first-class business, of which it writes that "all but a nominal percentage" has been "induced by our magazine advertisements."

More than $15,000 is spent annually for postage by a mattress manufacturer, "following up" inquiries received from his magazine advertising, though that is designed to create a demand for the mattress at local furniture stores.

This $15,000 is entirely over and above his steady correspondence with dealers, etc., which was built up in the first place by magazine advertising.

One of the many recent "contests" conducted by magazine advertisers was that of a stationery company. Theirs is also "publicity," not mail order advertising. It is designed to create a demand for their paper over the stationery store counters. But their "contest," announced exclusively in the magazines, brought 59,000 replies, which, with follow-up, etc., averaged 12 cents first-class postage—a total of $7,080 *in one month.*

Here is still another "publicity" experience. In the course of familiarizing women with a new trade-mark for silk by means of magazine advertising, the manufacturers incurred postage bills, during the eleven months amounting to $7979.75. About $2000 more ought to be added to represent the stamps purchased by the prospective silk dress wearers themselves.

Another "contest" held by a national advertiser brought 12,089 replies from a single insertion in one magazine, to handle which postage stamps had to be bought for more than $600.00
The publishers paid to have that page carried through the mails at second-class rates 97.66
A half-page in one issue of another magazine brought 4000 letters from inquirers, which, with "follow up," etc., meant stamp purchases of 200.00
The carriage of that half-page at second-class rates was..... 25.62

Magazine advertisements of a popular cold cream brought 170,000 letters to the manufacturers last year, though the controlling purpose of the campaign was to get the public to ask for that kind of cold cream at the drug stores.

Not including postal orders, special delivery stamps, etc., the stamp revenue to the Government from those letters was..$8500.00

And, of course, that does not include the profuse correspondence between the manufacturers, the jobbers, the drug stores all over the country, and so on.

For another facial preparation, a single advertisement in a leading weekly magazine brought more than 13,000 replies. The stamps involved here add up to.....$990.00
The publishers paid the Post Office to carry this advertisement at the second-class rate..... 48.83

A household remedy seen in most drug stores was mentioned to the extent of one-quarter page in a single issue of one magazine. The requests for samples numbered 1685. The postage involved was 202.20
The carriage of the quarter-page at second-class rates was.... 24.42

Another "drug store" preparation frequently brings the manufacturers 2000 to 6000 letters each month from their magazine advertising of it, though that is, of course, for "publicity," first of all. *A single insertion* last fall brought 12,000 inquiries, which created first and last the purchase of $750 in stamps.

A system of physical culture for women put quarter pages in several magazines during the month of November from which 3905 letters were received. In this case the total postage including followup and correspondence back and forth, was $1104.09 for that month of November alone.

Narrow limits would be expected in the demand for expensive silverware. Yet a silversmith's two advertisements in the November and December magazines brought 45,000 requests for catalogues. These had already involved, by January 13th, with following-up, etc., a postage bill of $5510.

Another big postage bill was also incurred incidentally by a company which uses magazine advertising to bring buyers into drug stores, etc., asking for certain shaving soaps, and the like. Still their postage bill as a result of inquiries from their advertising was $3656.08. This does not include the stamps bought by the inquirers—probably $1000 more.

A similar soap was described in a page advertisement which, printed in one magazine one time, brought more than 30,000 letters. First-class postage on them and the answers to them aggregated more than $900.00
The charge for carrying that page at the second-class rate was about 120.00

A DESTRUCTIVE MAIL RATE WOULD ESPECIALLY HARM WORKMEN AND WORKWOMEN

Let us turn to the harm that this zone rate measure would work on thousands of citizens less able to bear the loss of their employment than the publishers themselves.

The representative of the American Federation of Labor entrusted with a study of the effect of the proposed legislation on labor reports that the baneful results of such strangling interference with business would be felt directly and indirectly by no less than 700,000 workmen and workwomen,.....

They are to a notable extent skilled and specialized workers, and the tens of thousands of women among them would not have the alternative of fighting for their country.

In a single magazine office of moderate size over two hundred women are employed. In the binding and other trades affiliated with the publishing business a majority of the workers are women.

We ask you to read the convincing words of Mr. Samuel Gompers on this phase of the destruction that would be wrought by increasing the freight rate of the periodicals at this time.

Mr. Gompers says of the proposed zone measure:

> "To place a double and triple tax upon the public press is without warrant and excuse, and simply means that many publications will be forced out of existence. Such a condition will seriously menace the conditions of life and work of the men and women employed in the printing and closely related and kindred trades by throwing thousands of them out of employment. Shall we sit idly by while the very livelihood of thousands of our fellow workers is placed in jeopardy, and while the labor and sympathetic public press is seriously menaced?"

SECOND-CLASS MAIL RATES NO PLACE FOR EMERGENCY TAXES

Publishers of periodicals cannot in the least be reproached for unwillingness to be taxed in this war emergency, for they are offering any part whatever of their entire profits that the Congress sees fit to take.

They can therefore with perfect confidence and propriety urge with all their power that it is unwise, dangerous and futile to interfere with this process of their industry at all for the purposes of raising emergency revenue.

The agitation for an increase in the second-class rate had its origin entirely in a hastily formed and erroneous theory that second-class mail cost so much more than the revenue received that newspapers and magazines were responsible for Post Office deficits.

The distinguished Hughes Commission referred to above was in the year 1912 asked by the Congress to report a finding "of what the cost of transporting and handling different classes of such second-class mail matter is to the Government." (House Document 559, page 53.)

The very first paragraph in the Commission's decision, rendered after months of study of the Post Office figures and public hearings and examinations and cross-examinations, is found as follows:

> "The evidence submitted does not justify a finding of the total cost of transporting and handling the different classes of second-class mail."

This, the latest and most authoritative word on the costs to the Government of second-class mails puts in the realm of tradition and rumor such glibly quoted figures as 9.23 cents on the cost per pound, or $89,000,000 as the annual loss to the Government in transporting and handling the whole of second-class mail.

These and other such statements have been bandied about and urged as a reproach on publishers so long and constantly that they have come, from mere repetition, to be accepted by those without an opportunity to study the real evidence, as established facts.

What is apparent to any reasonable man as to the effect of the one-cent-a-pound rate on the finances of the Post Office is that its income account has over a period of 32 years always shown better results when the volume of second-class mail increased rapidly, and has shown results not so good when the volume of second-class mail increased with smaller acceleration.

The following figures are from the annual reports of the Postmaster-General:

In the year 1870 there was a deficit in the operations of the United States Post Office of 21.4 per cent of its turnover.

In 1879 was passed the act putting second-class matter on the pound rate basis. An immediate increase in the volume of second-class mail began.

In 1880 the Post Office deficit was only 9.6 per cent of its business.

In 1885 was passed the law giving the one-cent-a-pound rate, which was followed by a still more marked increase in the volume of second-class mail. It trebled in the decade ending with the year 1890.

The succeeding decade brought a phenomenal increase in the size of second-class mail, from 170,053,910 pounds in 1890, to no less than 382,538,999 pounds in 1900.

The deficit in Post Office operations in the year 1900 was only 5.2 per cent of its business.

In the prosperous years following 1900 the increase of second-class matter was stupendous; from 382,538,999 pounds in 1900 to 488,246,903 pounds in 1902, only two years. These years brought the great forward movement in the production of low priced but well edited magazines.

In 1901 there was a deficit in the Post Office operations of only 3.41 per cent of its business.

The deficit in the Post Office operations of the year 1902 was 2.4 per cent, the *smallest percentage of deficit in 18 years, and the smallest but two in 57 years, a deficit which* was really a surplus, as the following paragraph proves:

But in this year 1902 is seen for the first time, in important proportions, a new item of expense,—$4,000,000 for rural free delivery. Our Government had wisely and beneficently extended the service of the Post Office to farmers in isolated communities, regardless of any commensurate return from that branch. The report of the Postmaster-General for 1902 says: "It will be seen that had it not been for the large expenditure on account of rural free delivery, the receipts would have exceeded the expenditures by upward of $1,000,000."

It will be clear from these figures, which are taken from the reports of the Postmasters-General, that, beginning with the advent of the second-class pound rate system, the deficit of the Post Office had steadily declined, the rate of decrease being always coincident with the expansion of circulations and advertising of periodicals, until in 1902 there was a substantial surplus, which the Government wisely saw fit to use for a purpose not related to the needs of magazines and periodicals or to their expansion.

Since 1902 there has always been a surplus in the operations of the Post Office Department, outside of the money the Government has seen fit to expend for rural free delivery, in spite of, or more truly, because of, the growth of second-class mail from 488,246,903 pounds in 1902 to no less than 1,202,470,676 pounds in 1916.

In the last year, 1916, there is a reported surplus of $5,829,236.07, which, when the loss on rural free delivery is accounted for, brings the total figure of the year's surplus comparable to the years before the rural free delivery service began, *to more than $50,000,000.*

It has been shown earlier in this brief that an interference with this vital process of the periodical publishing business by any increase of rate that would theoretically produce appreciable additional revenue would in practise operate to constrict business, and reduce Government revenue.

Second-class mail is not a place on which the impact of a war emergency tax should fall. The second-class rate is a cog in such an elaborate and delicately balanced commer-

cial machine that it cannot be wisely changed without the most careful and extended consideration of all the possible results of a given change.

We call to your attention the fact that Canada, a country of magnificent distances, carries second-class mail without limitation of haul, *at one-half cent per pound;* that her Post Office habitually shows a profit from operation, and that even in her dire need of revenue for this war, greater by far than our present need, *Canada has not in her war emergency increased her half cent per pound rate at all.*

The Post Office of the United States has prospered marvellously with a vast and constantly increasing volume of business largely created by the vitalizing growth of second-class mail carried at one cent per pound; the Post Office reported last year, even after losing $45,000,000 on rural free delivery, a beneficent institution of no beneficence to periodical publishers, a profit of more than $5,000,000.

Do not destroy the sources of revenue at the particular time when revenues mean victory for the nation in the world war.

Remember that over and above all the direct destruction we have described, and that would certainly result from any appreciable increase of our freight rate at this time of fearfully high costs, there would be the correlative disruption of the sales organizations of hundreds of manufacturers who can only market their product by the aid of advertising.

Periodical publishers have offered to contribute their all, —the results of their labor and capital. Nor are they in the position of refusing ever to consider a rearrangement of mail rates. They absolutely oppose an increase of their freight rate at this time, as a necessarily little-considered item in a necessarily hasty emergency campaign for revenue. The question of increasing second-class mail rates has been debated time and time again in the Congress; always after thoughtful consideration of the full evidence it has seen the unwisdom of increasing the rate. Publishers would be spineless and utterly lacking in their sense of duty

as citizens if, with the facts before them showing that the proposed measure would hurt the revenues of the nation while destroying their business and throwing their work people out of employment, they did not oppose it with any power they had.

The ruthless schedule now before you is in its net results wholly destructive. We avoid the word confiscation, because the zone rate measure under your consideration is not worthy of it. Government confiscation implies a taking for the nation of property,—a gain for the nation through a loss to the citizen. We are offering to submit to that in tendering any part whatever of the entire net results of our capital and labor, and we would hope to feel that there was sweetness and propriety in giving up all to our country. But this proposal, made at such a time, gives nothing to our country in destroying our business activities. It does not deserve the word confiscation. It would result in loss or death to every interest concerned.

THE PERIODICAL PUBLISHERS' ASSOCIATION

By Allan H. Richardson

Chairman, Postal Committee

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W. F. ROBERTS CO. WASHINGTON D. C.

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